2001-2002 DIAMOND INDUSTRY REPORT • DIAMOND FACTS

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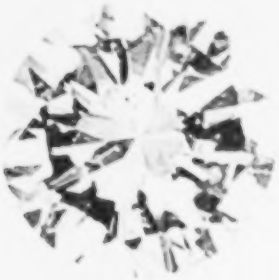
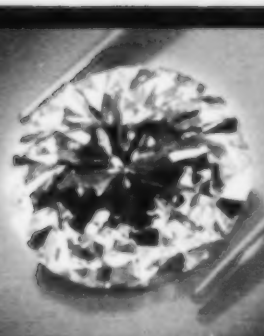


NORTHWEST TERRITORIES
CANADA

Northwest Territories Resources, Wildlife and Economic Development



NORTHERN VISION

The Northwest Territories (NWT) will be North America's Diamond Centre. We will produce over 12 percent of the worlds' diamonds by value. There will be sorting and selling facilities. Polished diamonds will be produced from a number of processing facilities. Northern jewellery will combine northern diamonds and gold. Tourists will travel to North America's diamond centre to learn about diamonds, and to purchase them. Industrial diamonds will be sorted and sold from the NWT. CANADIAN ARCTIC™ diamonds and jewellery will be recognized in North America and around the world as unique, high-quality products.

DIAMOND

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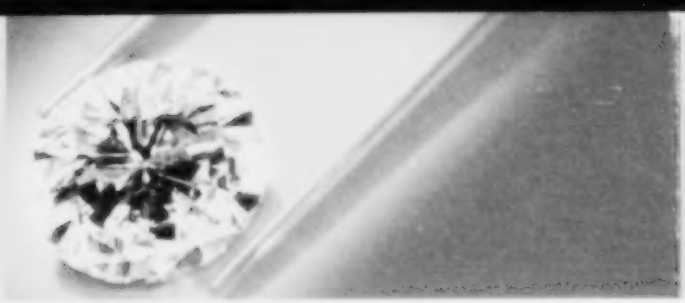

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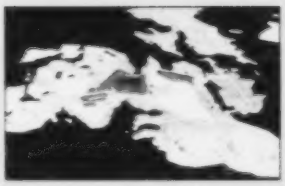

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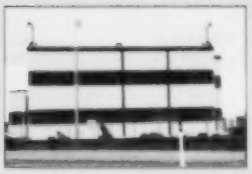
1999



1999

1998

2000

The DMPI receives the Diamond Master Promotional Partnership and the Appreciation Trade and Designated Certificates Act.

1999 (continued)

- Check Mate Diamonds Ltd. unveils new cutting and polishing facility in Yellowknife, NWT.
- Gulf Diamonds Ltd. signs a full five-year contract with Diamond Mines Inc. to purchase all of the gems' rough diamonds.
- The DMPI, The Kimberley Diamond Company and Check Mate Diamonds unveil a design for DMPI membership pins.
- Presidents' Trio Award presentation ceremony for the outstanding membership sales of the Check Mate Diamond Players are about to be presented for the first time in Canada.
- A Master Cutting Works Ltd. Agency Marketing Agreement with the DMPI

2000 (continued)

- Gulf Diamonds Ltd. unveils new cut and polished diamonds at the Diamond Dealers Association of Canada Convention.
- A Check Mate Diamonds Ltd. diamond necklace is presented to Queen Elizabeth II on the occasion of her Golden Jubilee.
- Presidents' Trio Award presentation ceremony for the outstanding membership sales of the Check Mate Diamond Players are about to be presented for the first time in Canada.
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DIAMOND

2000

Sirius Ore Diamonds Inc. opens a cutting and polishing facility in Yellowknife, NWT.

2000

- Check Diamond Mine enters its production phase.
- Sirius Ore Diamonds Inc. opens a cutting and polishing facility in Yellowknife, NWT.
- The DMPI receives the Diamond Master Promotional Partnership and the Appreciation Trade and Designated Certificates Act.
- Check Gem Cut and Polishing Facility is completed.
- Check Diamond Ore Diamonds Inc. signs a marketing agreement with the DMPI.

2001

- The Check Diamond Mine enters its production phase.
- Check Gulf Diamonds Ltd. has completed the first phase expansion of its Check Diamond Mine in Yellowknife.

2002

- The DMPI is planning on the implementing Checkmate Diamonds Ltd. diamonds and the Checkmate Diamonds Ltd. diamonds are the Checkmate Diamonds Ltd. diamonds are the Checkmate Diamonds Ltd. diamonds are

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MESSAGE FROM MINISTER

The initial discovery of diamonds in the Lac De Gras area in 1991 has created tremendous opportunity for the Northwest Territories (NWT). Although the industry is still relatively new, significant developments have already occurred.

Since the start of production in 1998, BHP Billiton's Ekati Diamond Mine™ has surpassed expectations. The company's contribution to the North, in terms of employment and business opportunities, has been significant. BHP Billiton's agreement to supply a quantity of rough diamonds to support three manufacturing facilities in the North has allowed for the establishment of a growing local cutting and polishing industry.

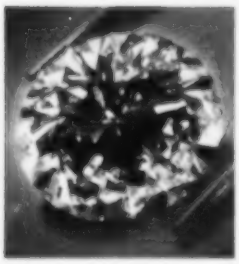
We are excited about the developments that have occurred in cutting and polishing in the NWT. We have moved beyond our role as a diamond producer and are contributing to the world diamond industry in terms of our secondary diamond industry. The North is already being recognized for its leadership in training, its craftsmanship and its high quality polished diamonds.

The future holds much potential for growth in the secondary diamond industry. The Diavik Diamond Mine is schedule to go into production in early 2003, and De Beers' Snap Lake Project is progressing through the permitting phase. Both of these operations are expected to provide further business opportunities.

We are well on our way to realizing our vision of the NWT as North America's diamond centre. I invite you to explore this unique and exciting new northern industry.

Honorable Jim Antoine
Minister,
Resources, Wildlife and Economic Development

A New Diamond World



The diamond industry is relatively new in the Northwest Territories (NWT), however, it is undergoing rapid growth.

One mine has been in production for the last three years and two others are under development. It is anticipated that once all three mines reach full production, the NWT will produce over 12 percent of the world's rough diamonds by value, putting Canada within the top five diamond producing jurisdictions.

The Government of the Northwest Territories (GNWT) has been actively involved in supporting the development of a secondary diamond industry: providing training support for northerners, providing support to new businesses, assisting in the development of occupational standards and offering marketing support. The GNWT's new certification program for CANADIAN ARCTIC™ diamonds is among the exciting new developments that are occurring in the North. Downstream developments in rough sorting, gem cutting and polishing, polished grading, jewellery making, and tourism are also occurring. Increased training, employment, and business opportunities for northerners are already being realized.

The NWT is working to create a new diamond world. A new diamond world where producers, government and the downstream industry work together to build a strong and vibrant industry. A new diamond world where information and education are shared and standards are developed. A new diamond world where transparency and cooperation are strengths. The North has much to learn about the diamond industry but we are determined to see the NWT industry succeed. The future holds great potential for the NWT diamond industry and the North.

Overview

Throughout 1999 and 2000, the diamond industry had seen a surge in consumer demand due to the millennium factor coupled with strong stock market performance in North America, which makes up about half of consumer demand for diamond jewellery.

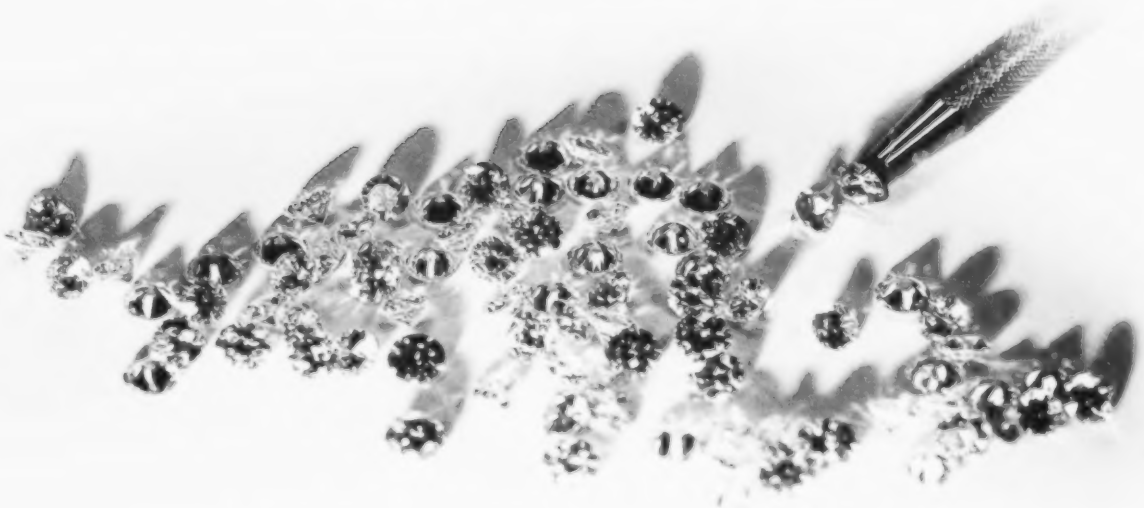
During this period most rough production was sold easily. Rough prices strengthened and De Beers was able to sell about US$1 billion of goods from their stockpile. As a result, they achieved a key objective of their strategic review, to cease their role as custodian and guarantor of the market.

2001 started out with disappointing diamond jewellery sales from the 2000 holiday season in the USA. As the year progressed it became clear that polished sales had decreased with falling stock markets. As a result, the diamond pipeline became overstocked with polished goods derived from the previous two years strong rough sales.

Given the lower demand for rough from the polished centres the price of rough diamonds fell. Between May and October all categories of gem rough fell by an unprecedented 20 percent. Both De Beers and BHP Billiton reduced their sales prices to regular customers and Rio Tinto suspended sales of their Australian Argyle production.

The shocking terrorist attack on the World Trade Centre in New York on September 11th made a bad market situation much worse temporarily. However, confidence was restored over the next four months with resilient consumer spending that was much better than expected in the wake of the tragedy.

2002 opened with a strong recovery. De Beers has restricted its supplies to the market. All outside goods have been eagerly purchased and prices have recovered the majority of losses.

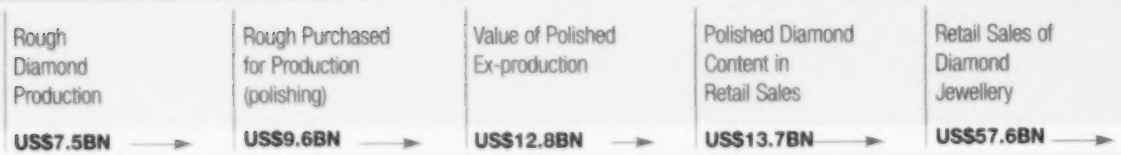


The Diamond Pipeline

The diamond pipeline is a representation in value of the steps in the diamond chains from mining of rough to retailing of polished diamond jewellery.

The progression through the diamond pipeline shows how world rough diamond production of US$7.5 billion becomes US$13.7 billion in polished diamonds at polished wholesale prices. Ultimately, it translates into US$57.6 billion of worldwide diamond jewellery sales, which is estimated to be US$28 billion in wholesale value. This includes the non-diamond value including precious metals, designs, distribution costs and semiprecious stones.

THE DIAMOND PIPELINE, 2000



World Production of Natural Diamonds

World natural diamond production for 2000 has been estimated at a total of 110 million carats with a value of US$7.8 billion. This was a record in terms of both volume and value.

About 10 percent of the volume are gem stones which will be polished and set in diamond jewellery and 55 percent are near gem qualities. These would have been graded as industrial forty years ago but are now polished by the vast low-cost Indian cutting industry. The remaining balance is of industrial quality. Although more than 90 percent of industrial diamonds are produced synthetically, there are still some preferred uses for natural stones.

De Beers' mines in Southern Africa (Botswana, South Africa, Namibia, Tanzania) provide 45 percent by value of the world total, and about one third by volume.

Botswana is now clearly the world's major producer having doubled capacity at the Orapa mine. This higher output mitigates the reduction in production of lower quality stones from the largest volume producer, the Argyle Mine in Australia. Work continues to extend the life of Argyle, output was down to 23 percent of the world total, compared to over 30 percent in the late 1990s.

Russia is the second largest producer. The majority of production still comes from Udachny, which comprises the Udachny and Zarnitsa deposits. These deposits are declining whereas production and grades at the Jubilee mine are improving. Other deposits, Yubeleynig, Botuobinskaya, and Nyurbinsky are being developed to increase output.

The year 2000 was Canada's second as a major producer. Production increased from the

Panda Pipe in the Ekati Diamond Mine™ in the NWT. A record sales price of US$172 was achieved. Towards the end of 2001 work started on the Misery Pipe, which compared to the Panda pipe has a higher grade yet a lower average quality and price.

The Diavik mine is in the construction phase, and is on schedule tc open in the first half of 2003. The A154 South Pipe which is under Lac de Gras has the richest grade of any pipe in the world and will be mined at a rate of about seven million carats per year once it reaches full production in 2005.

By the end of 2004, the NWT should be producing 10 percent by value of the world output.

Two years later De Beers' Snap Lake Mine project is scheduled to enter production, bringing Canada's share up to more than 12 percent.

During 2001, BHP Billiton took over Dia Met Minerals, the junior partner in the Ekati Diamond Mine™, increasing the company's interest in the mine to 80 percent .

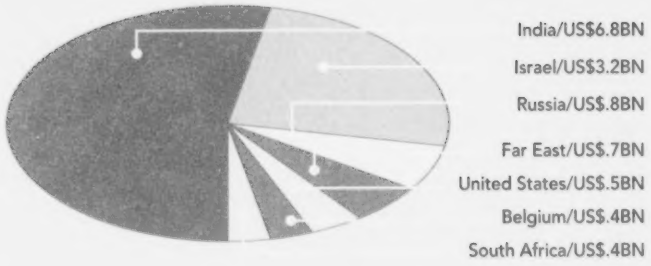
Rio Tinto, 60 percent owner of the Diavik Mine, fought off a challenge from De Beers to gain 100 percent of Ashton Mining which held the remaining 40 percent of the Australian Argyle Mine.

As a result of a take-over, the British mining group have also taken over 100 percent of the Merlin Mine in Northern Australia and 33.3 percent of SDM mine in Angola.

WORLD DIAMOND PRODUCTION BY COUNTRY, 2000

PRODUCER COUNTRY	CARATS (000)	AVERAGE PRICE $ P.C.T.	US$M VALUE
Angola	4,014	184.11	739
Australia	26,200	14.00	367
Botswana	24,651	86.20	2,125
Brazil	650	45.00	29
Central African Rep.	450	160.00	72
Canada	2,629	173.00	455
Congo (Dem. Rep.)	16,500	35.46	585
Ghana	500	27.00	14
Guinea	450	230.00	104
Namibia	1,520	276.00	420
Russia	20,500	77.80	1,595
Sierra Leone	350	250.00	88
South Africa	10,583	105.00	1,111
Tanzania	317	145.00	46
Venezuela	350	130.00	46
Other	520	138.50	72
Total	**110,184**	**71.40**	**7,868**

VALUE OF POLISHED OUTPUT BY CENTRE



Polishing Centres

The pie chart illustrates the estimated value of polished diamonds produced in 2000 in the world's major manufacturing centres.

India

India is the largest polishing centre by any measure - rough carats processed, polished carats produced or size of workforce.

In the year 2000, India imported 101 million carats of value US$4.6 billion and exported 31 million carats for US$6.6 billion. This was a tenfold increase compared to 20 years earlier.

The Indian industry has been built on polishing lower quality stones, in particular, those classified as industrial quality 30 years ago but now referred to as near gem. Increasingly, Indian polishers can now process the full range of sizes and qualities of gemstones utilizing not only a very cheap and abundant workforce but also the latest state-of-the-art technology. Most of the stones produced last year are of the smaller variety (850 million).

The main centres for processing in India include Surat, Bhavanagar and Ahmedabad where the majority of the 800,000 estimated workforce are based. The main destinations for polished exports are USA 35 percent, Hong Kong 26 percent, Belgium 15 percent, Japan six percent, and Israel four percent.

Israel

Israel has the largest high labour cost manufacturing centre employing 4,500 workers in cutting and polishing. The industry is highly innovative in developing automated processing equipment and its cutters are renowned for obtaining the largest yields from rough stones.

Although the domestic industry generally only processes rough stones of half a carat and larger, many Israeli companies have factories in the far east and the other lower cost centres polishing smaller stones.

Israel's net imports of rough in 2000 were 4.9 million carats for US$2.8 billion. Net exports of polished diamonds were 1.6 million carats for US$3.2 billion.

USA is the dominant export market accepting 66 percent of Israeli exports.

Russia

There are believed to be 10,000 workers employed in the Russian diamond cutting industry. Most factories are in Moscow and Smolensk, where 80 percent of the polished diamonds are produced. Some smaller units are situated in the Sakha Republic near the mines. Sizes produced range from 0.01 carats to larger stones.

In December 2001, De Beers and Russia's diamond producer Alrosa signed a five year agreement providing for sales to De Beers of US$800 million a year over the life of the contract. This represents about 50 percent of Alrosa's annual production of rough diamonds. The remaining 50 percent will be available to supply Russia's growing cutting industry.

Belgium

Antwerp remains the largest trading centre in the world and imports the majority of the world's rough production. Most is re-exported with only a small proportion remaining for polishing.

Manufacturing is confined to a small highly skilled workforce of around 2,000 employees who process the more valuable rough stones of one carat and larger.

The recent closure of De Beers sawing plant in Belgium is seen as a further blow to an already shrinking industry.

It is estimated that the industry processed about US$400 million of polished diamonds in 2000.

New York

New York is a small manufacturing centre employing around 600 polishers. These are the most highly-skilled polishers and work only the largest, most valuable stones of two carats and larger. The industry has about 100 companies, and most employ fewer than 20 polishers. Sub-contractors do much of the work.

It is estimated that annual polished output is about US$500 million.

Demand for Diamond Jewellery

World retail sales of diamond jewellery in 2000 were again a record at US$57.5 billion, three percent up on the previous record in the millennium year 1999.

The USA was the leading market taking 45 percent of the total. Europe was flat but the Asia Pacific region continued the improvement of the late 90s, increasing by seven percent.

As a result of economic prosperity from property and stock markets in the 1980s and 1990s, Japan had by the mid 1990s equalled the USA as a consumer of diamond jewellery, but has steadily declined since. Since the mid 1990s, the Japanese economy has been depressed and the share of diamond jewellery purchased by Japanese consumers has fallen from 33 percent in 1995 to 18 percent in 2000.

Results from 2001 appear to have been less favourable, estimated as a global fall of five percent. The fall in the high-tech stocks on the NASDAQ and in other stock markets have left consumers in the USA with less disposable income for discretionary high ticket items.

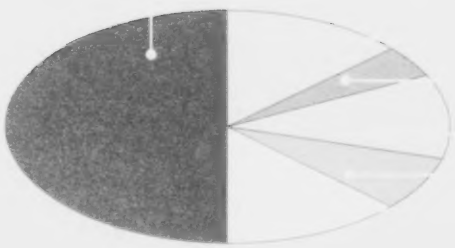
Towards the end 2001, in the holiday season, and the wake of the September 11th terrorist attack, US diamond jewellery sales have held up surprisingly well. However, overall in the major market it was a disappointing year following the boom in sales, which surrounded the millennium.

De Beers Goes Private

In a move which caused surprise across the board, a consortium, called DB Investments (DBI), owned by Central Holdings (the Oppenheimer family (45%), Anglo American Plc. (45%), and Debswana Diamond Company (10%, a De Beers' 50/50 joint venture with the Botswana Government which owns Botswana's diamond mines), took over De Beers by buying out the 60 percent held by outside shareholders. In the process, De Beers, formerly a publicly quoted company, was taken private. The deal, which was completed in June 2001, valued De Beers at US$18.7 billion.

DIAMOND VALUE IN WORLD RETAIL SALES IN 2000

Market - Total value of polished diamonds in jewellery sales: US$13.7 billion (2000)



DBI took a US$3.55 billion loan facility to finance the deal. This eliminated De Beers' historical holding of Anglo American, by distributing the AA shares to De Beers shareholders.

The deal had the effect of securing Oppenheimer family control of De Beers, thereby solidifying their ongoing commitment to the industry, which is now in its fourth generation. The transaction gave the company more freedom to operate without having to account directly to outside shareholders. It also locked the Republic of Botswana into an even closer partnership with the company. This will secure De Beers' Botswana production, which now represents 60 percent of the intake of the sales arm, the Diamond Trading Company (DTC).

Branding is the New Buzz Word

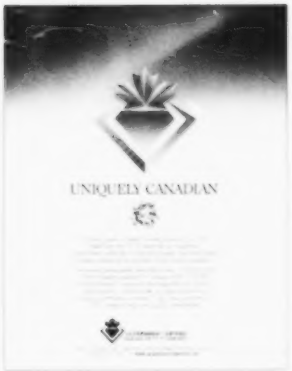
It was De Beers who fired the starter's gun. Following the company's major strategic review, which highlighted the very low level of industry advertising and lack of brand differentiation, De Beers told its sightholders to move downstream and generate demand for polished diamonds. It envisaged an industry with multiple and competitive brands. Branding of diamonds would, from now on, be the name of the game.

De Beers took specific initiatives themselves. It introduced a new contract with its sightholder clients, which they named the "Supplier of Choice" program.

With this program, De Beers introduced a code of ethics, and policies and programs that supported their clients' increased focus on incremental demand for diamonds at the retail level. They transferred the famous De Beers advertising tag-line "a diamond is forever" to the DTC who would sell the rough, and introduced the "Forevermark", a quality mark which will be placed on a sightholder client's polished diamond to differentiate the product by its provenance (De Beers' mines). This quality mark is expected to assure customers that the diamond is of high quality, natural and untreated. De Beers expects these branded products to command a premium which will in turn encourage other producers to sell through the DTC. The "Supplier of Choice" program is currently awaiting clearance from the European Union (EU) Competition Commission.

The EU did give clearance to De Beers' other branding initiative. They have licensed Rapids World, a joint venture between De Beers and LVMH (Moet Hennessy Louis Vuitton) to set up De Beers retail outlets and sell De Beers branded jewellery.

In response to De Beers' actions, the competition is introducing supporting diamond brands. There were already some brands in the USA. Hearts on Fire and Lazare Diamonds are brands that focus on the high quality cut. Other brands that have been introduced – Flanders Brilliant, Quadrillion and, from the NWT, the Dene Rose, sell a unique cut.



BHP Billiton has created the exclusive EKATI™ brand for their Canadian cut stones. They have introduced another brand, Aurias™, for their rough customers, and manufacturers and others to use to sell their polished. Aber Diamond Corporation is also planning to have their own Canadian brand.

In the NWT, the GNWT has provided local manufacturers with a platform from which to drive demand for branded Canadian products, a government statement guaranteeing origin and quality of cut. This has been keenly adopted mainly by Canadian wholesalers and jewellers, but is also seeing positive reception in the USA. There has clearly been a commercial advantage for those who offer truly Canadian origin stones. The GNWT is proud to have initiated the program for the only polished diamonds in the world with a reliable certificate of authenticity and origin.

Given this activity and expected DTC sightholder's marketing plans, is seems that the proliferation of brands has only just begun.

Impact of September 11th, 2001

The diamond market experienced shockwaves following the appalling terrorist attack on the World Trade Centre in New York on September 11th, 2001.

Given the economic and political uncertainty, there was an immediate and dramatic slowdown in the level of trade accompanied by a price fall and difficulty in moving some stocks at any price.

Fortunately, as the situation has stabilized, the rough market had a slight recovery in November and December, which has been followed in the New Year by a strong recovery in demand, with prices rising strongly.

The sale of polished jewellery over the holiday season exceeded expectations. One of the unexpected outcomes of the shocking event was that it made people think about making the commitment of marriage, so there was an increase in the number of engagements and weddings, a happy event in which the diamond industry usually benefits.

Conflict Diamonds

It has been three years since the brutality suffered by civilians caught in bloody civil wars in Angola and Sierra Leone first reached prominence in the world's media. Non-governmental organizations (NGOs), such as Global Witness and Partnership African Canada, published reports linking the suffering to trading by the rebels in locally mined rough diamonds to fund their campaigns.

The United Nations (UN) introduced sanctions against exports of diamonds from Angola, Sierra Leone and Liberia, which did not pass through official government channels.

Through the auspices of the UN, co-ordinated international action referred to as the Kimberley Process was set in motion. Since then, 37 governments representing diamond producing, processing, and consuming countries, have worked with the NGOs and the diamond trade (represented through the World Diamond Council) to introduce measures to outlaw 'conflict diamonds' and those who trade in them.

As part of the Kimberley Process, a system of import and export controls is being developed which introduces an international certification program. The World Diamond Council (WDC) is leading this initiative. Such a system certifying diamonds for export as non-conflict is already operating in Sierra Leone and Angola. It is planned that all producing countries will adopt a similar system. The WDC is also preparing a comprehensive system of warranties within the trade and proposals on self-regulation. The Kimberley Process is to be in place within participating countries by January 1, 2003.

In addition, various governments are drafting legislation outlawing the trade in conflict diamonds within their jurisdictions.

Already in the United States the Clean Diamonds Trade Act is awaiting Senate approval having passed through the House of Representatives. This Act bans the import of polished diamonds from countries that have not signed up for the certification process.

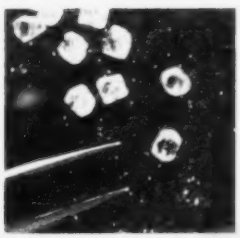
In October 2001, David Pratt, Liberal MP for Nepean Carleton in Ottawa, introduced a private member's bill calling for a certification system for diamond imports to prevent conflict stones from entering Canada. Those convicted would face fines of $500,000, five years in prison or both. Other countries have undertaken to move similar legislation forward.

Meanwhile, the conflicts are abating. In Sierra Leone, the RUF rebels are participating in the elections in May. In Angola, a ceasefire has been signed between the government and UNITA following the death of their leader, Jonas Savimbi. In the Democratic Republic of the Congo, the RCD-Goma troops are in peace talks with the government in Kinshasa. The urgency of the 'conflict diamonds' issue may decrease in prominence, but illicit trade in diamonds has been highlighted and will likely remain a significant issue.

Currently, it is impossible to identify the origin of a diamond once it is polished. However, research is currently being conducted to find a way of tracing the origin of a stone or of marking stones after production.

Exploration

The NWT saw small diamond exploration programs in the early 1970s. A cluster of kimberlite pipes were discovered in the High Arctic on Somerset Island by Cominco Ltd. and Diapros Ltd. This site was found to be uneconomic.



In 1991, Dia Met Minerals Ltd. and BHP Minerals announced the discovery of major diamond bearing kimberlite pipes at Lac de Gras in the west-central NWT. This discovery resulted in the largest staking rush in Canadian history. Since then, several of the world's largest mining companies, including BHP Billiton, Rio Tinto and De Beers, have become actively involved.

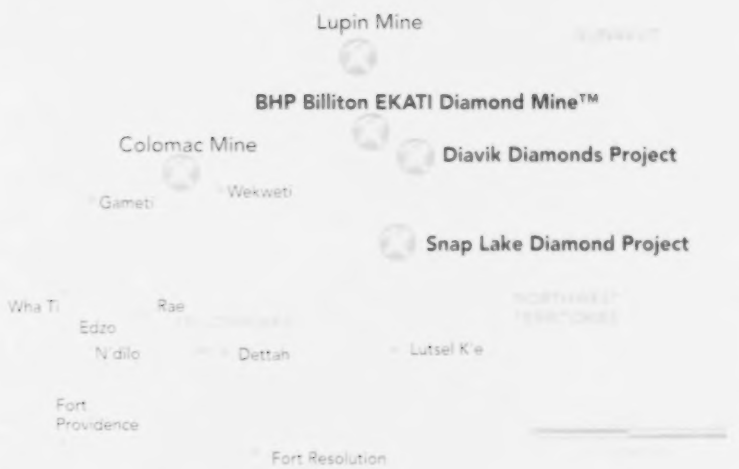
Over 20 diamond bearing kimberlites with economic potential have been identified. To date, more than 300 kimberlite pipes have been found in the NWT.

In Nunavut, Tahera Resources' Jericho pipe is being tested and at Coronation Gulf, diamonds were discovered by Ashton Mining in the Anuri pipe. Twin Mining has been exploring and finding diamonds at Torngat and 14 kimberlites have been identified south of Jackson Inlet.

While the NWT and Nunavut remain the centre of diamond exploration, diamonds are now being found in other provinces.

In Alberta, Ashton Mining located a number of kimberlites in the Buffalo Hills but results to date have been disappointing. However, in 2001 pipe K252 revealed a good grade of 0.55 carats per tonne on sampling.

In Saskatchewan, diamonds have been found at Fort a la Corne. Kensington Resources and De Beers are testing to find the highest grade and value areas among 71 large pipes so far discovered in this area. The pipes lie under a thick covering of soft sediment.



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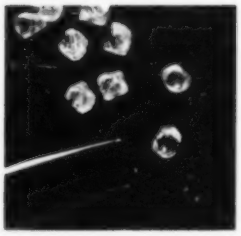
The NWT saw small diamond exploration programs in the early 1970s. A cluster of kimberlite pipes were discovered in the High Arctic on Somerset Island by Cominco Ltd. and Diapros Ltd. This site was found to be uneconomic.



In 1991, Dia Met Minerals Ltd. and BHP Minerals announced the discovery of major diamond bearing kimberlite pipes at Lac de Gras in the west-central NWT. This discovery resulted in the largest staking rush in Canadian history. Since then, several of the world's largest mining companies, including BHP Billiton, Rio Tinto and De Beers, have become actively involved.

Over 20 diamond bearing kimberlites with economic potential have been identified. To date, more than 300 kimberlite pipes have been found in the NWT.

In Nunavut, Tahera Resources' Jericho pipe is being tested and at Coronation Gulf, diamonds were discovered by Ashton Mining in the Anuri pipe. Twin Mining has been exploring and finding diamonds at Torngat and 14 kimberlites have been identified south of Jackson Inlet.

While the NWT and Nunavut remain the centre of diamond exploration, diamonds are now being found in other provinces.

In Alberta, Ashton Mining located a number of kimberlites in the Buffalo Hills but results to date have been disappointing. However, in 2001 pipe K252 revealed a good grade of 0.55 carats per tonne on sampling.

In Saskatchewan, diamonds have been found at Fort à la Corne. Kensington Resources and De Beers are testing to find the highest grade and value areas among 71 large pipes so far discovered in this area. The pipes lie under a thick covering of soft sediment.

MINES IN THE NORTHWEST TERRITORIES

In Ontario, the Victor pipe, one of 14 discovered at Attawapiskat in the James Bay Lowlands has been bulk sampled by De Beers and revealed a resource of 36.2 million tonnes with a grade of 0.43 carats calculated at US$150 per carat. The next step is a full feasibility study. There are complicated hydrological and geotechnical issues relating to the development. Micro diamonds and some macros have been found in rocks at Wawa on the Northern Shores of Lake Superior.

Quebec is also experiencing diamond fever. There has been a staking rush following Ashton Mining's discovery of diamonds in the Otish Mountains.

Production

BHP Billiton Ekati Diamond Mine™

Production from the Ekati Diamond Mine™, operated by BHP Billiton, began in October 1998. The Project will mine five kimberlite pipes and will have a 20 year mine life. As of January 2001, BHP's share of the total production of rough diamonds (51%) reached 4.358 million carats. Many large diamonds have been recovered, including a 182 carat boart stone. The mine currently employs over 750 people. 78 percent of all employees are northerners and 38 percent of northern employees are aboriginal. The mine is estimated to yield three to five million carats annually, with an average value of over US$100 per carat and annual sales of US$500 million. It is expected to produce roughly four percent of the world's diamonds by volume and six percent by value.

The Diavik Diamond Mine

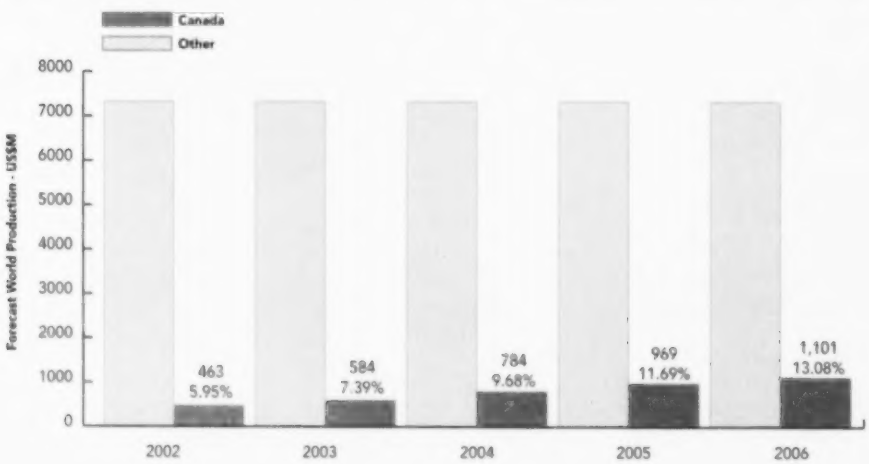
Construction of the 1.3 billion dollar Diavik Diamond Mine is forecast for completion in early 2003. At peak production, the Diavik Mine will produce over six million carats of diamonds annually and mine life is expected to be 20 years. Production will come from

four ore bodies, called kimberlite pipes, located under water just offshore of a 20 sq.km. island located in Lac de Gras, approximately 300 km northeast of Yellowknife, NWT. In early 2002, Diavik reserves stood at 27.1 million tonnes containing an average estimated reserve grade of 3.9 carats/tonne (diluted). The project has a total reserve of approximately 107 million carats with an average value of US$62 per carat. The Project is a joint venture between Diavik Diamond Mines Inc. (60 percent), a wholly owned subsidiary of Rio Tinto plc, and Aber Diamond Mines Ltd. (40 percent), a wholly owned subsidiary of Aber Diamond Corporation. For more information, visit the Diavik website at www.diavik.ca.

Snap Lake Project

The Snap Lake Project, is 100 percent owned by De Beers. A grade of 1.70 carats per tonne with a value of US$118 per carat was obtained from a 6,000 tonne bulk sample in 1999. The total revenue from the mine is estimated at C$11.5 billion, with a total resource base of 39.5 million tonnes and a mine life of 21 years. De Beers submitted its project description for permitting of the mine in February, 2001.

CANADA'S GROWING IMPORTANCE IN THE WORLD DIAMOND MARKET



Government of the Northwest Territories' Role

Regulatory Responsibility

The Department of Indian Affairs and Northern Development (DIAND) is currently responsible for the administration of mineral resources in the NWT, under the Canadian Mining Regulations (CMR) and the Territorial Lands Act.

Responsibility for environmental protection is shifting from the Canadian Environmental Assessment Act (CEAA) to the recently enacted Mackenzie Valley Resource Management Act (MVRMA).

Economic Scope

Significant federal benefit will be accrued to the federal government through royalty, corporate and personal income tax resulting from the diamond mine operations. Estimates of federal revenues from the Ekati Diamond Mine™ alone are $4.4 billion Canadian over 25 years.

The GNWT net fiscal benefit is estimated at eight percent of the federal benefit—a relatively small benefit considering the incremental costs for infrastructure, social and business support programs.

Economic Development

Although the GNWT currently has no control over the administration of its natural resources, it is responsible for economic development.

Diamonds will have a significant impact on the economy of the NWT for the foreseeable future as exploration and interest by major diamond producers continues. The residents of the NWT will receive employment and business opportunities from the exploration for and mining of diamonds. Diamonds, however, represent an opportunity for the North to move beyond dependence on harvesting of its raw materials for the rest of the world, to becoming a jurisdiction that benefits directly from adding value to its raw materials.

Value Added Opportunities

Value added industries include sorting, marketing and selling rough; gem cutting and polishing; jewellery making; tourism; and, industrial applications. These all represent substantial training, employment and business opportunities for northerners.

The GNWT is committed to ensuring that benefits resulting from resources extraction are maximized. Although we are at the beginning of a new industry we must provide northerners with the opportunity to explore and learn from this new industry.

In the short term, the GNWT will be actively involved in the industry, to ensure the opportunities are there for northerners to explore. In the medium and longer term, the GNWT will develop a framework that supports the industry, ensuring the sustainability of the economically viable aspects.

Diamonds are a unique commodity: a commodity that offers opportunities across economic sectors: mining, exploration, manufacturing, arts and crafts, tourism, retail. The GNWT recognizes this uniqueness and is committed to providing a co-ordinated approach across sectors, building on strengths and addressing weaknesses.

Summary of Diamond Developments to Date

The potential training, employment and business opportunities associated with the diamond value added industry are great. The GNWT is committed to facilitating the industry's development in the NWT to ensure benefits to northerners are maximized. Although the industry is still new, significant development has already occurred.

Sorting

In April 1998, the GNWT and BHP Billiton came to an understanding through which BHP Billiton agreed to build a sorting and valuation facility separate from the mine site in the NWT.

BHP Billiton is currently valuing its diamonds at this Yellowknife facility. This sorting facility currently employs approximately 12 staff. BHP Billiton has committed to working towards having sales to NWT manufacturers occur directly from the facility.

Additionally, Diavik Diamond Mines Inc. and Aber Diamond Mines Ltd. have committed to carrying out sorting and valuation in a facility off the mine site in the NWT.

Diamond Manufacturing

Significant interest has been expressed by Canadian and foreign diamond manufacturers in establishing cutting and polishing operations in the NWT.

The key to developing diamond manufacturing opportunities is reliable access to quality rough diamond at reasonable prices.

BHP Billiton has agreed to sell rough diamonds, at world prices, to three manufacturers in the NWT. This is part of the understanding between the GNWT and BHP to promote and support diamond value added activity in the NWT.

The GNWT has signed a memorandum of understanding with Diavik Diamond Mines concerning access to rough for NWT manufacturers. Discussions are also underway with Aber Diamond Corporation. It is anticipated that these and future projects will provide further opportunities for northerners.

Sirius Diamonds NWT

Sirius Diamonds NWT Ltd., a fully Canadian owned company and the NWT's first cutting and polishing facility, opened in June of 1999. Factory foreman, Peter Finnemore, recognized as one of the world's finest diamond cutters and creator of the famous "Star of Guinea" heads the team of Canadian diamond craftsmen.

Deton'Cho Diamonds Incorporated

Deton'Cho Diamonds Incorporated is located in the Dene community of Ndilo on the north edge of Yellowknife. The North's first aboriginal diamond cutting factory began production in March of 2000. Deton'Cho Diamonds is majority owned by the Yellowknife Dene First Nation and was incorporated to train members of their community in the art of diamond cutting, polishing and other aspects of the secondary diamond industry.

Arslanian Cutting Works NWT Ltd.

Arslanian Cutting Works NWT Ltd., a subsidiary of Belgium-based Arslanian Cutting Works, is the North's third and Canada's largest cutting and polishing facility. Importing cutters with a wealth of experience, skills and knowledge to Canada's North, they are boosting production towards 2500 carats per month. Arslanian Cutting Works NWT has recently joined forces with the international diamond company Rosy Blue, with the aim of expanding its factory, staff and production without compromising its high standards of cut and customer service.

Arslanian Cutting Works NWT and the Dogrib Rae Band have signed a mentoring agreement whereby Arslanian Cutting Works NWT will provide training and other assistance to the Dogrib Rae Band in establishing a future factory in the NWT.

Northern Jewellery Manufacturing

The opportunities for northern diamonds to be used in northern jewellery manufacturing, arts and crafts and tourism are all being carefully considered. A wealth of artistic skills in northern communities will foster not only new employment opportunities, but international appreciation of the rich cultural traditions of the NWT.

Labour Force Development

A critical prerequisite to developing a diamond value added industry in the NWT is an available and skilled workforce.

The Department of Education Culture and Employment has developed a strategy to address the unique training needs of the industry.

The focus of training support for NWT manufacturers has been on providing direct assistance through the government's "Occupational Training On the Job" Program. These training subsidies are being utilized to assist polishing facilities in training northerners.

An "Introduction to Diamonds" pre-employment program has been developed to provide interested northerners with a general introduction to the industry and hands on experience in the areas of rough sorting, polishing and polished grading.

Occupational Standards and a Certification Program for diamond polishers have also been developed—a world first. Work is also moving forward on standards for other key occupations in the manufacturing process.

A two-year jewellery-making course has also been developed to prepare workers for the further opportunities that will be provided downstream. This course has already been delivered in two northern communities.

The future needs of the industry are being analyzed and consideration is being given to the development of a more comprehensive diamond-training program.

Marketing

The GNWT recognizes the need to promote and add value to NWT diamonds.

In its policy framework, "GNWT Support to the Diamond Manufacturing Industry", the government has taken the position that it will, "assist in the marketing of diamonds produced and manufactured in the NWT through such activities as certification of branded diamonds and other marketing strategies."

The GNWT has introduced a program to certify selected diamonds as mined, cut and polished in the NWT.

An official GNWT certificate, signed by the Premier, provides the consumer with a high level of assurance that the diamond they are purchasing is a genuine CANADIAN ARCTIC™ diamond that was mined, and cut and polished in the NWT. To be eligible for certification, polished diamonds must meet a high standard of cut and other requirements established by the GNWT.

The program, offered on a voluntary basis, requires the manufacturer to sign agreements allowing the GNWT to inspect, audit and monitor the factory.

The GNWT's stringent monitoring system follows the diamond from the mine through the factory—the only program in the world to do this. The program includes inspections of the factories to examine the diamonds and review records.

As part of the certification program, the GNWT provides marketing support to interested parties selling CANADIAN ARCTIC™ diamonds. This support includes print advertising, in store brochures and posters, public relations and other marketing support.

Two NWT factories, Deton'Cho Diamonds Inc. and Arslanian Cutting Works (NWT) Ltd., are currently participating in the program. The first of these CANADIAN ARCTIC™ Diamonds were certified in November of 2000.

In the fall of 2000, the GNWT launched a website to promote CANADIAN ARCTIC™ Diamonds, northern manufacturers and the secondary diamond industry. www.canadianarcticdiamond.com reflects the GNWT's commitment to supporting a vibrant and world class diamond industry.

Value Added Impact

The GNWT is committed to maximizing opportunities from the development of its natural resources by providing sustainable jobs for northerners; and contributing towards diversifying the northern economy.

Benefits for northerners and the impact of diamond value added developments on the NWT economy are already being realized.

Employment

In 2001, there were approximately 19,420 jobs in the NWT. This includes the employment created from Ekati Diamond Mine™ and construction of the Diavik Diamond Mine. It is estimated that the total employment in manufacturing in the NWT was approximately 250 to 350 persons. Employment in the NWT's secondary diamond industry accounts for a large portion of the manufacturing sector's total. Total current employment created by the three diamond manufacturing facilitates operating in the NWT totals approximately 130 persons. Total employment in the secondary diamond industry equals approximately 150 persons.

Territorial Gross Domestic Product (GDP)

The NWT GDP for 2001 was 2.49 billion dollars. Up from 2.10 billion dollars in 2001. The largest contributors to the territorial GDP are the mining and oil and natural gas extraction, and construction sectors. Much of the increase for 2001 can be attributed to construction activities associated with the Diavik Diamond Mine, diamond production and exploration activity.

The manufacturing sector is the one of the smallest contributors to the NWT GDP. According to the GNWT's Bureau of Statistics, the largest GDP difference between Canadian and NWT is in the manufacturing sector. In 2000, the sector contributed only 4.9 million dollars to the total NWT GDP, less than 0.3%.

In 2001, the NWT Manufacturing Industry's contribution to total NWT GDP rose to 6.9 billion dollars. The current impact of diamond value added developments on the NWT economy, the manufacturing sector in particular, is significant and growing. At current production, ongoing direct and indirect impacts from the three current cutting and polishing facilities in the NWT are estimated to contribute over nine million dollars to the NWT GDP. At full production these three facilities will contribute over three times the manufacturing industry's total contribution to the NWT GDP.

More mines are being developed and further opportunities will be presented. Potential benefits arising from further development is substantial.

Future Potential

A comprehensive vision of diamond industry development is rapidly evolving. The vision capitalizes on the benefits associated with exploration, mine development and the value added opportunities resulting from post-production activities.

KEY FEATURES

- Favourable fiscal and regulatory environments continue attracting new exploration and mining investment.
- Industry/Government agreement on benefits resulting from production.
- Increasing levels of sorting taking place – including more detailed sorting for market.
- Government support for infrastructure, business, training and social support programs.
- Private sector investment in cutting and polishing operations.
- Partnerships with established international industry organizations in support of industry development.
- A developing northern jewellery-making capacity using locally produced gems and northern creative and artistic skills.
- A developing arts and crafts capacity using northern diamonds and indicator minerals.
- Diamonds as a focus for tourism-related activities.

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